

CHAPTER 33
NONUTILITY ACTIVITIES—RECORD KEEPING
AND COST ALLOCATIONS

199—33.1(476) Applicability. This chapter applies to all rate-regulated gas or electric public utilities.

199—33.2(476) Definitions. All terms used in this chapter shall be defined as the terms are defined in Iowa Code section 476.72 unless further defined in this chapter.

“*Exception time reporting*” is when an employee works predominantly in either utility or nonutility operations and only reports time worked in the less predominant area.

“*Filing threshold*” means that the summation of a utility’s revenues recorded in FERC accounts 415 and 417 equals 3 percent of a utility’s operating revenues recorded in FERC account 400. The revenues in these accounts will be as recorded in the annual FERC Form 1 for electric and combination utilities and FERC Form 2 for gas utilities.

“*Fully distributed cost*” is a costing approach that fully allocates all current and embedded costs to determine the revenue contribution of utility and nonutility services.

“*Incidental activities*” are activities that are so closely related to the provision of utility services that to separate the costs of such services would exceed the benefit.

“*Net book value*” means the lower of the original purchase price net of depreciation or any transfer price between affiliates.

“*Nonproductive work time*” is time for which an employee is paid but is not productively working.

“*Positive time reporting*” is when productive work time is accounted for and assigned to utility operations or nonutility operations.

“*Study time reporting*” is when periodic studies are done to determine the amount of productive work time being spent on utility versus nonutility operations.

“*Utility operating revenues*” are the dollar amounts recorded in FERC account 400.

199—33.3(476) Availability of records.

33.3(1) *Separate records.* A rate-regulated gas or electric public utility receiving revenues for providing nonutility service shall keep and render to the board separate records on the nonutility service.

33.3(2) *Records to be maintained.* The records maintained for each nonutility service and made available for inspection shall include, but not be limited to: documents depicting accounts payable and vouchers; purchase orders; time sheets; journal entries; source and supporting documents for all transactions; a description of methods used to allocate revenues, expenses, and investments between utility and nonutility operations, including supporting detail; and copies of all filings required by other state and federal agencies.

33.3(3) *Method of inspection.* The records for each nonutility service shall be made available to the board at the principal place of business of the public utility. Notwithstanding rule 199—18.3(476), upon receipt of a formal request in writing from the board for information, the public utility shall produce the requested information within seven days. Upon a showing of good cause, the board may approve additional time for response.

199—33.4(476) Costing methodology. Costs shall be allocated between utility and nonutility operations using fully distributed cost.

33.4(1) *Cost causation for utility assets.* Each utility shall identify for each asset involved directly or indirectly, in whole or in part, to the provision of nonutility services: (a) the type of asset; (b) the use of the asset; (c) the applicability of the asset to utility operations, nonutility operations, or both; and (d) the usage characteristics of the asset.

33.4(2) *Cost causation for utility expenses.* Each utility shall identify for each expense account wherein any expense related, directly or indirectly, to the provision of nonutility services is recorded: (a) the function causing the expense to be incurred; (b) the procedure used in performing the function; (c) the applicability of the function to utility operations, nonutility operations, or both; and (d) the characteristics of the cost that will allow proper assignment.

33.4(3) *Time reporting.* Positive time reporting shall be used whenever possible. In situations where positive time reporting cannot be used, exception time reporting or study time reporting may be used. Nonproductive work time shall be allocated between utility and nonutility operations in proportion to the allocation of productive work time.

199—33.5(476) *Cost allocation manuals.* Every rate-regulated gas or electric public utility equaling or exceeding the filing threshold in any calendar year shall file with the board a cost allocation manual on or before September 1 of the following year. If the utility has not changed its cost allocation manual since the last filing on September 1, the utility shall file a letter with the board to that effect. Refer to subrule 33.5(3) for information on updating cost allocation manuals. In the event the utility has made only minor changes to its manual regarding new accounts or new affiliates, or has modified language, the utility may file only the pages affected. The filing shall include a cover letter explaining the pages being filed.

33.5(1) *Contents of manuals.* Each cost allocation manual must contain the following information:

a. *Nonutility activities.* A list, the location, and description of all nonutility activities as defined in Iowa Code section 476.72(3).

b. *Incidental activities.* A summary of activities that are incidental to the provision of utility services and minor in size.

c. *Resource identification.* An identification of the assets and expenses involved directly or indirectly, in whole or in part, to the provision of nonutility services as identified in subrules 33.4(1) and 33.4(2).

d. *Assignment methodology.* A description of the cost assignment methodology. This paragraph provides an overview, explanation, and justification of the details provided in paragraphs “e” through “h.”

e. *Assignment rationale.* A list showing the cost assignment method for each account. The list shall show for each account and subaccount identified in subrules 33.4(1) and 33.4(2) the basis for assigning costs in the account to utility and nonutility operations.

f. *Accounts and records.* A description of each account and record used by the utility for financial record keeping of nonutility services, including all subaccounts.

g. *Assignment basis.* An explanation of each assignment basis. This paragraph shall contain, for each assignment basis contained in paragraph “e,” a definition of the basis, an explanation of how the allocation factor is calculated, a description of each study and analysis used in developing the allocation factor, and the frequency with which each allocation factor is recalculated.

h. *Time reporting methods.* An explanation of the time reporting methods used. This paragraph shall indicate the type of time reporting (positive, exception, or study) used for each reporting organization (e.g., executive, residential sales, and external affairs), and a description of how the type of time reporting is done in that reporting organization.

i. *Training.* A description of the training programs used by the utility to implement and maintain its cost allocation process.

j. *Update process.* A description of the procedures used by the utility to (1) determine when an update is needed; (2) develop the update; and (3) provide the update to the board.

33.5(2) *Filing and approval of manuals.* The following procedure shall be used for the filing and approval of manuals.

a. Filing. Utilities meeting the filing threshold requirements shall file manuals on or before September 1 of the year following the year the threshold requirement was first met.

b. Notice. At the time of the initial filing and whenever a manual is updated, each utility shall mail or deliver a written notice to consumer advocate, local trade associations, and customers who have notified the utility in writing of their interest in the filing. The notice shall state that an objection may be filed with the board within 60 days of the filing of the manual with the board. The utility shall promptly provide copies of the manual upon request.

c. Objections. Any interested person may file an objection with the board within 60 days of the filing date.

d. Docketing. If the board finds that reasonable grounds exist to investigate the manual, the board will docket the filing as an investigation within 90 days of the date of filing. At the time of docketing, the board will set a procedural schedule which includes a date for an oral presentation and an opportunity to file comments. If the board finds that there is no reason to investigate, the board shall issue an order stating the reasons for the board's decision within 90 days of the date of filing.

e. Acceptance of manuals. The board may accept, reject, or modify a utility's manual. However, any board decision is for accounting purposes only and is not binding in any other proceeding.

33.5(3) *Updating of manuals.* All affected sections and pages of a utility's manual shall be updated and filed with the board annually or within 60 days of any of the following conditions:

a. A new nonutility business is added, or an existing nonutility business is dropped;

b. An affiliate relationship changes;

c. Operations affecting nonutility businesses change sufficiently to warrant a new allocation method; or

d. Accounting practices change.

33.5(4) *Reporting requirements—accounting tables.* The reporting requirements in this subrule must be accompanied by a signed statement from an officer of the utility and an independent auditor certifying that, for the year completed, the utility has followed its manual and that the results fairly reflect the actual operations of the utility. Companies required to file cost manuals shall file in their annual reports and in electronic form tables showing for each account identified in subrules 33.4(1) and 33.4(2)(a) the account total; (b) the amount assigned to nonutility services; (c) the amount assigned to utility services; and (d) the value of the allocation factors used to assign costs to utility and nonutility services.

199—33.6(476) Standards for costing service transfers within a regulated subsidiary or utility.

33.6(1) *Nonutility service provided to regulated subsidiary or utility.* Service shall be priced to the utility's operations at the price actually charged nonaffiliates. If no such price is available, the service shall be priced at the lower of fully distributed cost, the price actually charged to affiliates, or a market price of comparable services.

33.6(2) *Service provided by the utility to nonutility operations.* Service shall be provided at the tariffed price. If it is not a tariffed service, the service shall be priced at fully distributed cost.

199—33.7(476) Standards for costing asset transfers within a regulated subsidiary or utility.

33.7(1) Asset that is a direct cost of nonutility operations becomes a cost of utility operations. The asset shall be transferred or assigned to utility operations at the lesser of net book value, the price actually charged to affiliates or nonaffiliates, or the market price of comparable assets.

33.7(2) Asset that is a direct cost of utility operations becomes a cost of nonutility operations. The asset shall be transferred or assigned to the nonutility operations at the greater of net book value, the price actually charged to affiliates or nonaffiliates, or the market price of comparable assets.

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